

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 61-10

April 3, 1961

SECURITY AT INTERNAL REVENUE BONDED STORAGE FACILITIES

Proprietors of distilled spirits plants,
and others concerned:

Information received by this office indicates that some proprietors of distilled spirits plants having bonded storage facilities are not protecting and policing such facilities in the manner contemplated by law and regulations nor are they developing and carrying out adequate control procedures. This laxity has resulted in an increase in the number of tampered packages and in actual break-ins of warehouses and must accordingly be viewed with considerable concern.

Several years ago a program of regulation revision was initiated to give industry a much greater degree of flexibility in operations. Concurrently, "over the shoulder" supervision was reduced and certain responsibilities were transferred to plant proprietors. Public Law 85-859, and the regulations implementing that law, greatly increased the scope of our previous program. The industry welcomed the greater flexibility, but some members have not accepted wholeheartedly the attendant responsibilities.

Section 5202, I.R.C., provides for joint custody of storage rooms and buildings by the Government officer assigned to such premises and the proprietor. The fact that these rooms and buildings are in joint custody in no way relieves the proprietor of, or diminishes, his responsibility. The security of spirits in bond, whether attained by plant construction, by policing, or by protective devices, or by any combination of these factors, is, under regulations, primarily the responsibility of the proprietor.

Failure to safeguard spirits in bond is a serious matter. Under the statutes the burden of proof that losses are allowable is squarely on the proprietor, and it is the intent of the law that cases of doubt be resolved in favor of the Government. Whenever any laxity in safeguarding spirits is found, the Government will use all available sanctions to collect the revenue, and will expect and insist on protective measures sufficient to correct the condition.

Inquiries relating to this circular should refer to its number and be addressed to your assistant regional commissioner (alcohol and tobacco tax).

A handwritten signature in dark ink, appearing to read "Dwight E. Avis".
Dwight E. Avis
Director, Alcohol and Tobacco Tax Division